



A unit of American Electric Power

Indiana Michigan Power
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October 25, 2005

The Honorable Leon Drolet
HOUSE OF REPRESENTATIVES
P.O. Box 30014
Lansing, MI 48909-7514

Dear Chairman Drolet,

I am writing as Vice President of Government Affairs for Indiana Michigan Power Company (I&M). I&M is a wholly owned subsidiary of American Electric Power Company (AEP). I&M serves over 124,000 customers in Southwest Michigan with low cost reliable power.

I&M is probably best known in Michigan's electric industry for owning and operating Bridgman's D C Cook Nuclear Power Plant, Michigan's largest nuclear plant. **Less well known is that I&M's parent company, AEP, is the owner of the third largest fleet of wind turbines in the U.S.** As a utility that is a major wind facility owner, AEP supports targeted well-crafted wind power incentives.

I am writing to express support for HB 4647. HB 4647 would establish a new state wind production tax credit of \$.015 per kWh for the production of electricity from wind turbines in Michigan. We believe this is the preferred technique to provide incentives to develop wind power facilities.

The utilization of a production tax credit offers several advantages.

1. It provides incentives to all entities, not just utilities, seeking to develop wind power facilities in Michigan.
2. It provides incentives for entrepreneurs to develop the best wind areas in Michigan. (i.e. Developers will tend to develop sites with the best wind profiles, as they will produce the most electricity and the largest amount of tax credits.)
3. It allows investment in wind energy to be encouraged by market forces instead of government mandates, which avoids requiring utilities to build renewable facilities that may not be needed or appropriate for that company.
4. It is a reasonable approach to encouraging the development of wind resources that are marginally economic, as opposed to effectively mandating the utilization of lesser renewable resources that could impose significantly greater costs on customers.

The production tax credit is also the technique chosen by the Congress to support the development of wind power facilities. Currently facilities utilizing wind to produce electricity are entitled to receive a \$.015 tax credit for each kWh produced from a wind facility. Thus the use of a state production tax credit would dovetail nicely with the policy chosen by Congress to support wind power facilities and present a single well-constructed technique to support wind entrepreneurs.

A state production tax credit was so used by the State of Oklahoma to promote development of wind power inside its borders. Its use helped Oklahoma increase its wind power capacity from zero MWs in 2002 to what is expected to be over 400 MWs by the end of this year. It is notable that this was accomplished without the use of government mandates.

Sincerely,

A handwritten signature in cursive script, appearing to read "Greg Clark".

Gregory A Clark
Vice President of Government Affairs
Indiana Michigan Power

Cc: Representative Jacob Hoogendyk
Representative Robert Gosselin
Representative John Garfield
Representative Fulton Sheen
Representative Steve Tobocman
Representative Alexander Lipsey
Representative LaMar Lemmons III